

Chemicals

Some respite in pricing pressures

Summary

The consistent fall in chemical prices was arrested to some extent in July. Most of the management commentaries do point to slow global demand offtake and significant channel destocking especially in the agrochemical segment. China has been aggressively entering various segments and impacting them by steep pricing and volume dumping. We expect pricing pressures to sustain for commodity chemicals with Chinese resurgence. However, realignment in the global supply chain to diversify from China and strong interest from global MNCs to source from India bode favourably for the Indian chemical sector. Companies with long term contracts which have price variation clauses embedded in them will fare better owing to better revenue visibility and margin protection. Companies who are higher up the specialty chemicals value chain stand to perform better in the current environment.

Key Highlights

- Pricing Pressures remain:** We chart out price data for various chemicals further in this report and present select highlights here. Mono Ethylene Glycol (MEG) prices increased by 9% MoM. MEG is more commonly used as a polymer precursor and as an antifreeze application. India Glycol is a major manufacturer of MEG domestically. Caustic Soda Lye prices have declined by 9% MoM as the industry is facing challenges in terms of weak demand and slow sales leading to higher inventory levels. Acetic acid prices have risen by 12% MoM. It forms a key input for manufacturing ethyl acetate and acetic anhydride. Soda ash (Dense) prices have risen by 2% MoM to Rs 41/kg. Toluene and Acetone prices are up by 20% and 12% MoM respectively.
- Outlook:** We believe that commodity chemicals segment would be under pressure especially in the wake of increasing competition from China. We prefer specialty chemical players with decades of rich experience, deep chemistry prowess and strong R&D and execution capabilities. Companies that are delivering value added products and moving up the value chain will fare better as compared to pure commodity plays.

Pricing Snapshot

Chemical	Jul-23	Jul-22	YoY (Chg)	Jun-23	MoM (Chg)
Benzene	82	114	-28%	85	-4%
Aniline	170	189	-10%	161	6%
Heavy Soda Ash	41	50	-18%	40	2%
Toluene	106	102	4%	89	20%
Phthalic Anhydride	98	107	-8%	105	-7%
Monoethylene Glycol (MEG)	62	66	-6%	57	9%
Phenol	114	148	-23%	100	14%
Acetone	84	76	11%	75	12%
Isopropyl Alcohol (IPA)	103	106	-3%	97	6%
Acetonitrile	131	170	-23%	126	4%
Acetic Acid	57	66	-14%	51	12%
Caustic Soda Lye	29	51	-43%	32	-9%
Ethyl Acetate	89	95	-6%	83	7%
Toluene Diisocyanate (TDI)	196	247	-21%	204	-3.9%
Maleic Anhydride	85	136	-38%	88	-3%
Methanol	31	35	-13%	30	2%
Phthalic Anhydride	98	107	-8%	105	-7%
Acrylic Acid	97	180	-46%	93	4%
LDPE	103	134	-23%	102	1%
HDPE	107	126	-15%	106	1%

Source: Indianpetrochem, Change % based on month end prices

Jason Soans

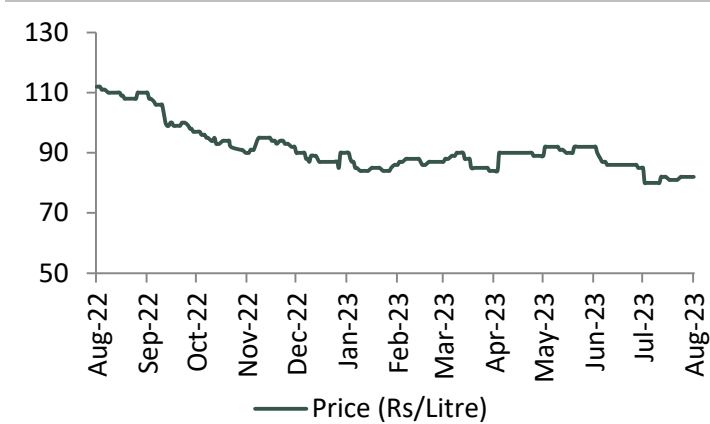
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Exhibit 1: Brief Profile

Chemicals	Indian Manufacturer	Major Consumer
Benzene	BPCL, RIL, IOCL, ONGC	Aarti Inds, Apcotex, CFS, NFIL, Vinati, Deepak Nitrite, Valiant Org, Jyothy Labs
Aniline	GNFC, HOCL	Aarti Ind, Atul Ltd, Aurobindo, Bayer, Monsanto, UPL, BASF, Deepak Nitrite, Nocil, Valiant Org, Bodal, Bhageria, Kiri
Soda Ash	Tata Chem, GHCL, DCW, GFL	Deepak Nitrite
Toluene	Reliance, BPCL, Indian Oil	Aarti, NFIL, Vinati, Deepak Nitrite
Phthalic Anhydride	Thirumalai Chem, IGPL	
Mono Ethylene Glycol	RIL, India Glycols, IOCL	
Phenol	Deepak Phenolics, SI Group	
Acetone	Deepak Phenolics, SI Group	GSFC, ITC, Berger, Shalimar, Torrent Pharma, Sun Pharma, Asian Paints, Kansai Nerolac, Pfizer, NFIL
Iso Propyl Alcohol (IPA)	Deepak Nitrite	
Acetonitrile	Alkyl amines, Balaji amines, Deepak Novochem	
Acetic acid	Jubilant Ingrevia, GNFC	Reliance, IOCL, Apcotex, SRF, Deepak Nitrite, Laxmi Org.
Caustic soda	Grasim, DCM Shriram, GACL, Nalco, RIL, DCW, TGV Sraac	Arvind Mills, Deepak Nitrite, GNFC, GSFC, IOC, Meghmani Organics, Nirma, NALCO, HUL, UPL
Ethyl Acetate	GNFC, Jubilant Ingrevia, Laxmi Organics	
TDI	BASF, GNFC	
High-Density Polyethylene (HDPE)	Reliance, ONGC, GAIL	
Low-Density Polyethylene (LDPE)	Reliance	
Maleic Anhydride	Thirumalai Chem, IGPL	
Methanol	RCF, NFL, IOCL, Deepak Fertilizers, GNFC, GSFC	Alkyl Amines, Balaji Amines, Aarti, CFS, NFIL, SRF, Vinati
PAN (Phthalic Anhydride)	Thirumalai Chem, IGPL	
Acrylic Acid	BPCL, IOCL, BASF, GSFC	Apcotex, Black Rose, Balmer Lawrie, Fineotex

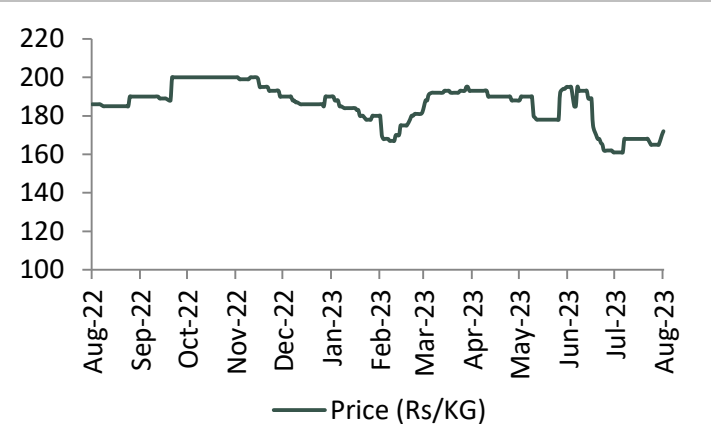
Source: Company; IDBI Capital Research

Exhibit 2: Benzene Prices down by ~4% MoM



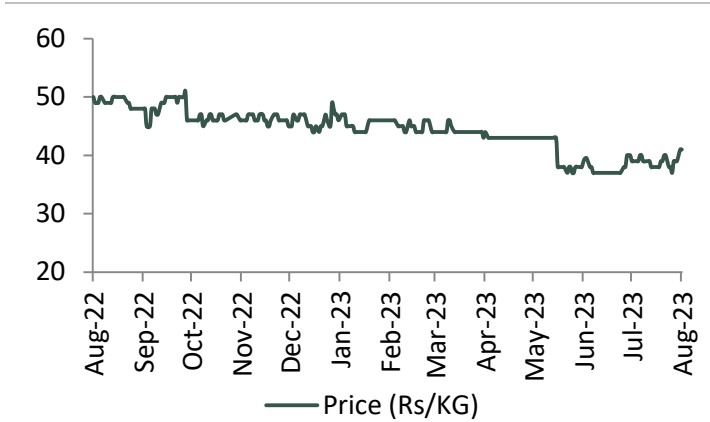
Source: Indianpetrochem

Exhibit 3: Aniline Prices up by ~6% MoM



Source: Indianpetrochem

Exhibit 4: Heavy Soda Ash Prices up by ~2% MoM



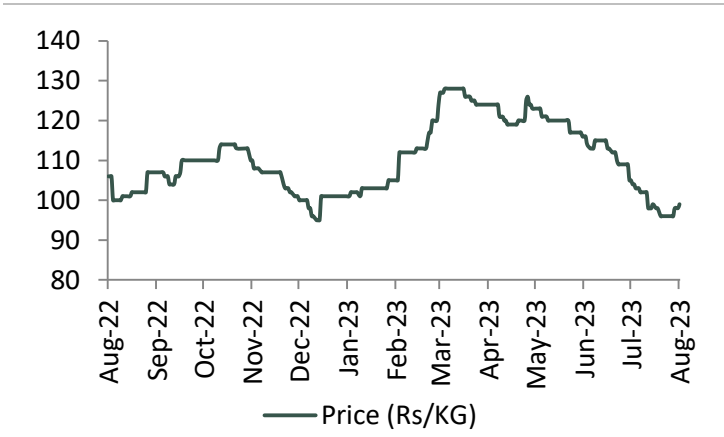
Source: Indianpetrochem

Exhibit 5: Toluene Prices up by ~20% MoM



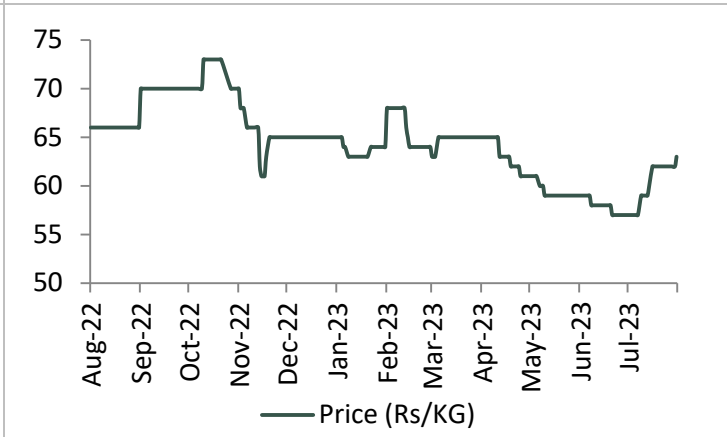
Source: Indianpetrochem

Exhibit 6: Phthalic Anhydride Prices down by ~7% MoM



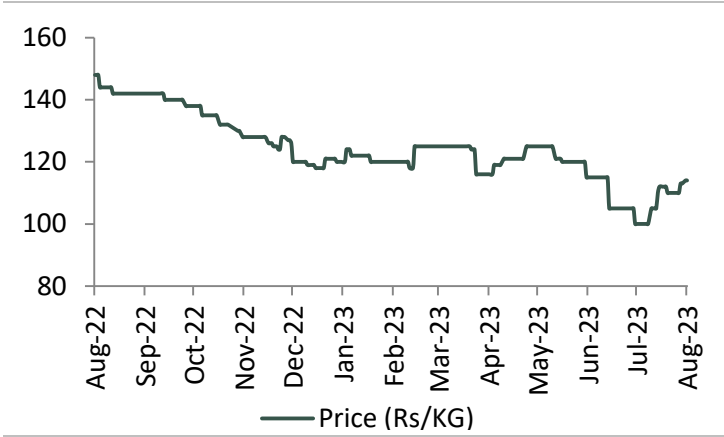
Source: Indianpetrochem

Exhibit 7: Monoethylene Glycol Prices up by ~9% MoM



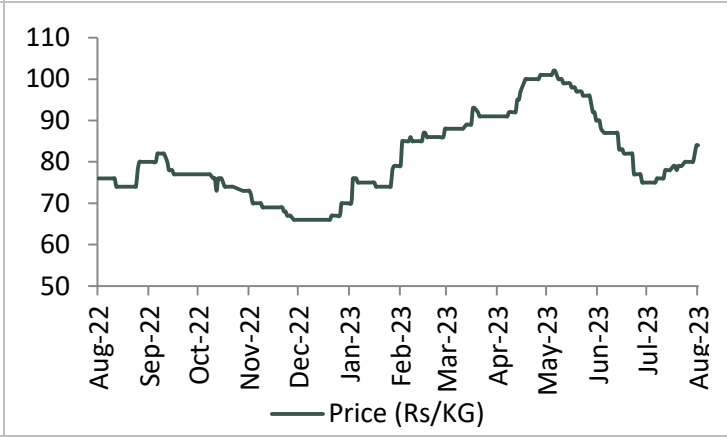
Source: Indianpetrochem

Exhibit 8: Phenol Prices up by ~14% MoM



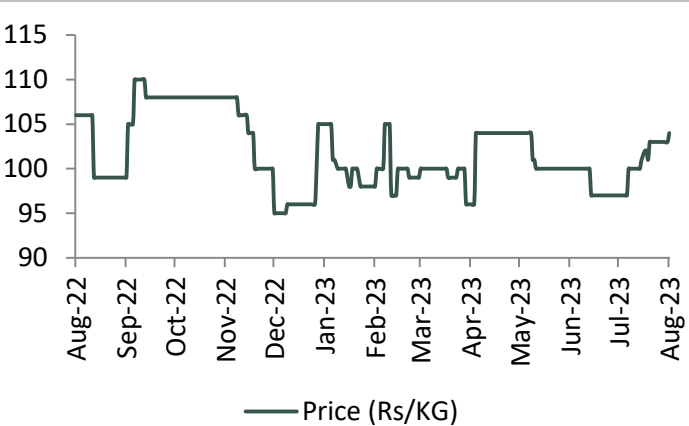
Source: Indianpetrochem

Exhibit 9: Acetone Prices up by ~12% MoM



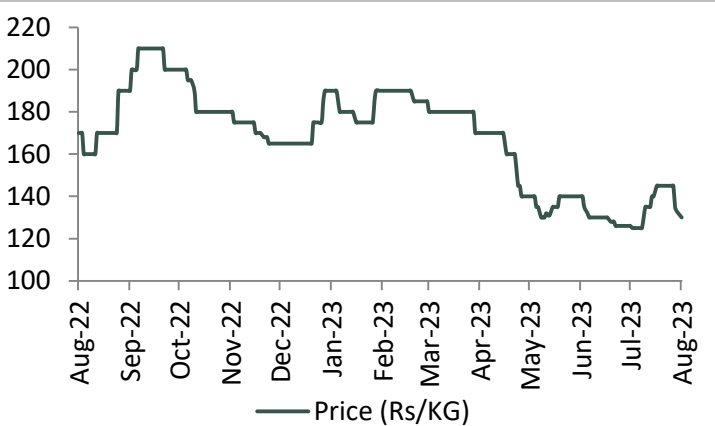
Source: Indianpetrochem

Exhibit 10: Isopropyl Alcohol Prices up by ~6% MoM



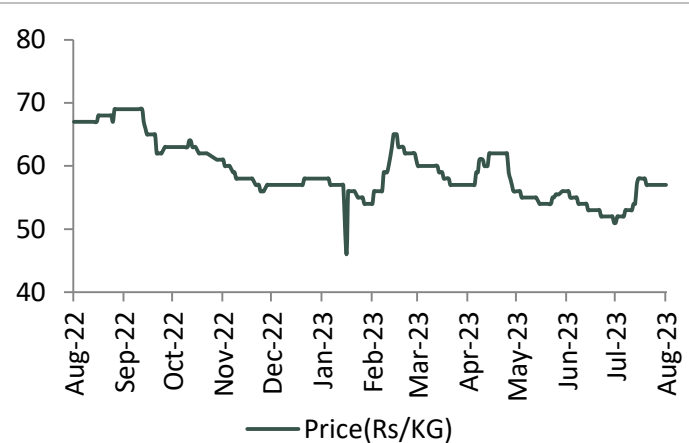
Source: Indianpetrochem

Exhibit 11: Acetonitrile Prices up by ~4% MoM



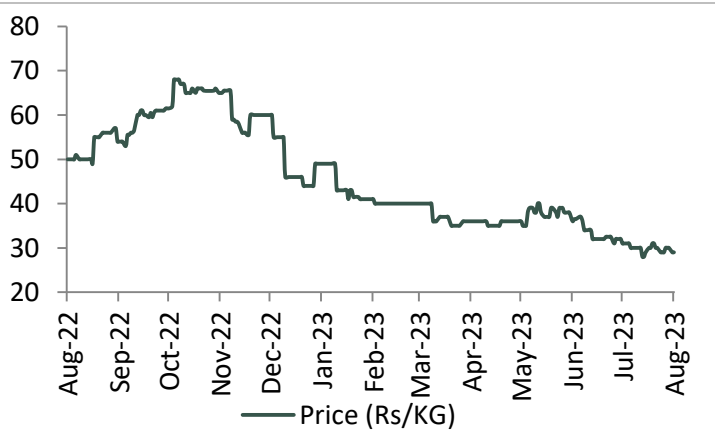
Source: Indianpetrochem

Exhibit 12: Acetic Acid Prices up by ~12% MoM



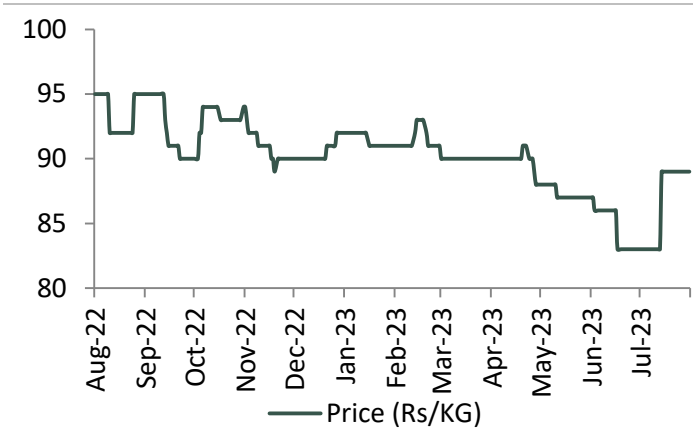
Source: Indianpetrochem

Exhibit 13: Caustic Soda Prices down by ~9% MoM



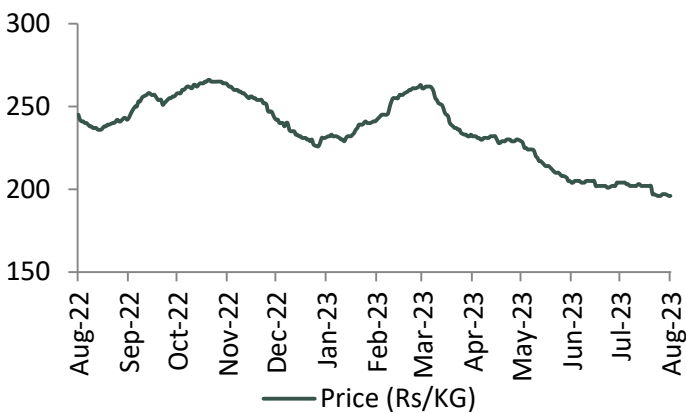
Source: Indianpetrochem

Exhibit 14: Ethyl Acetate Prices up by ~7% MoM



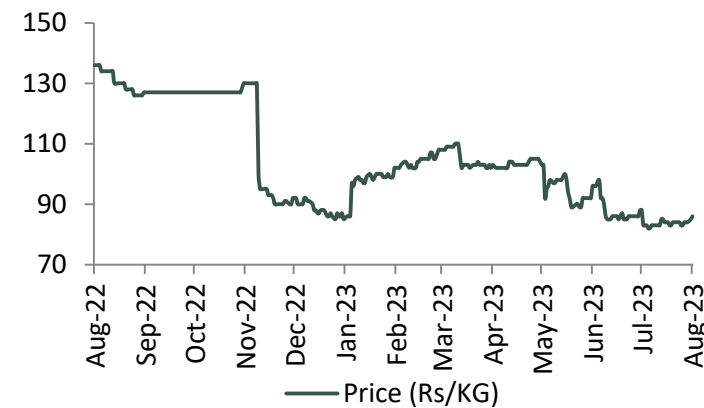
Source: Indianpetrochem

Exhibit 15: Toluene Diisocyanate Prices down by ~4% MoM



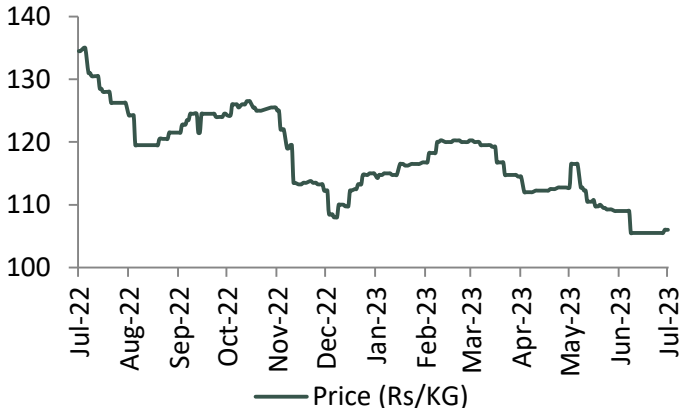
Source: Indianpetrochem

Exhibit 16: Maleic Anhydride down by ~3% MoM



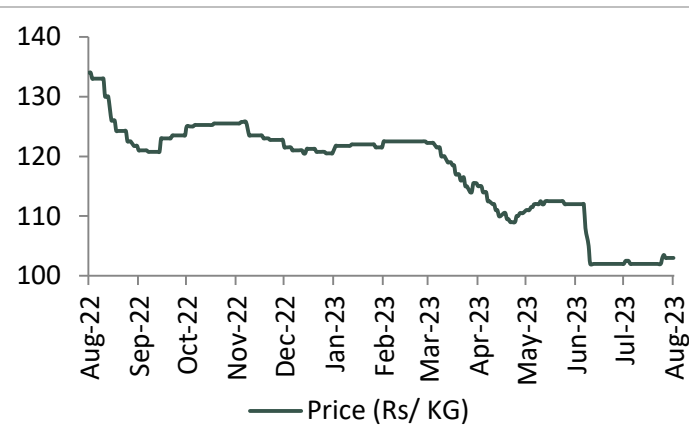
Source: Indianpetrochem

Exhibit 17: HDPE up by ~1% MoM



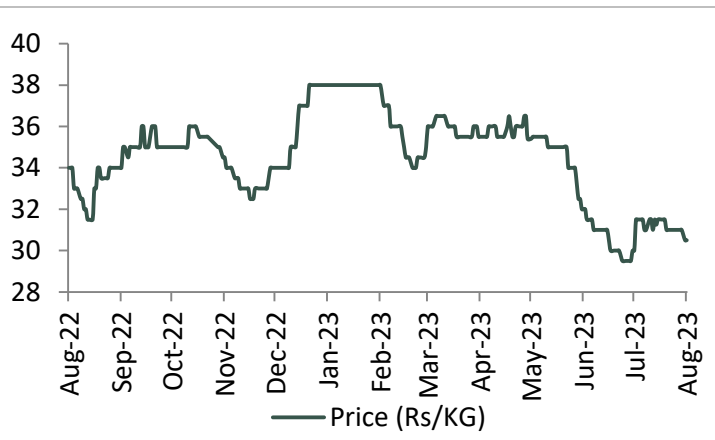
Source: Indianpetrochem

Exhibit 18: LDPE up by ~1% MoM



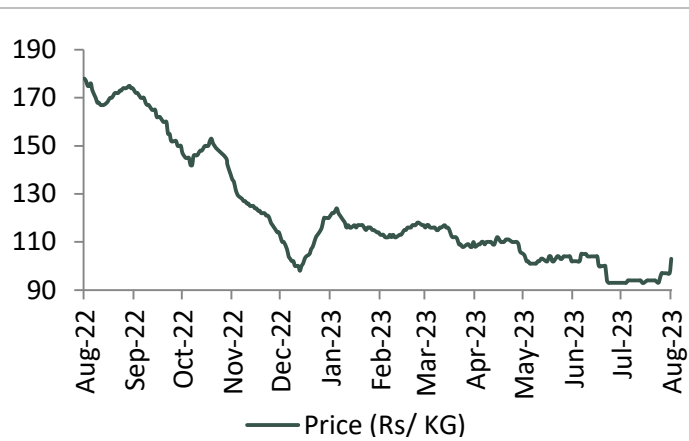
Source: Indianpetrochem

Exhibit 19: Methanol up by ~2% MoM



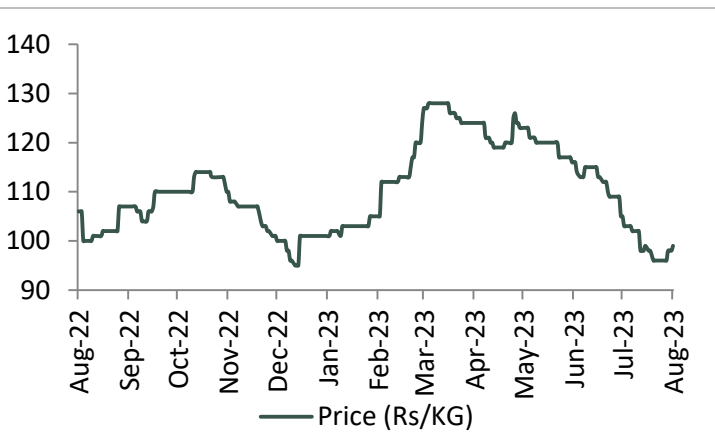
Source: Indianpetrochem

Exhibit 20: Acrylic Acid up by ~4% MoM



Source: Indianpetrochem

Exhibit 21: Phthalic Anhydride down by ~7% MoM



Source: Indianpetrochem

Exhibit 22: Sectoral Stock Performance

	Mkt Cap Rs bn	Performance (%)				Relative to Index (%)			
		1M	12M	3 Year	5 Year	1M	12M	3 Year	5 Year
SRF	672	-5	-11	184	528	-8	-26	106	453
Gujarat Fluorochemicals	308	-7	-19	530	-	-10	-34	452	-
Deepak Nitrite	278	-8	5	214	731	-10	-10	136	657
Navin Fluorine International	223	-5	-3	133	544	-8	-18	55	470
Aarti Industries	171	-7	-31	5	75	-10	-46	-73	1
Fine Organics	141	-8	-16	93	461	-11	-31	15	387
Aether Industries	138	-3	-	-	-	-6	-	-	-
Alkyl Amines	124	-10	-16	147	835	-13	-32	69	761
Anupam Rasayan	100	-5	22	-	-	-8	7	-	-
Galaxy Surfactants	93	3	-12	63	124	0	-27	-15	50
GNFC	91	-1	-18	261	42	-4	-33	183	-32
Balaji Amines	72	-6	-36	263	278	-8	-51	185	204
Laxmi Organics	71	4	-13	-	-	1	-28	-	-
Jubilant Ingrevia	68	-3	-22	-	-	-6	-37	-	-
Gujarat Alkalies and Chemicals	52	3	-15	283	120	0	-30	205	46
GHCL	50	-3	-12	97	19	-6	-28	19	-55
Ami Organics	45	-10	10	-	-	-13	-5	-	-
Neogen Chemicals	39	-1	17	154	-	-4	2	76	-
I G Petrochemicals	14	-16	-32	153	-7	-19	-47	75	-82

Source: Bloomberg, IDBI Capital Research



Notes

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